DOCUMENT RESUME

ED 194 027 HE 013 248

TITLE Student Assistance Education Amendments of 1980.
INSTITUTION Office of Student Financial-Assistance (ED), Washington, D.C.
PUB DATE Oct 80
NOTE 22p.

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS *College Students; Compliance (Legal); Costs; Eligibility; *Federal Aid; *Federal Legislation; *Federal Programs; Federal Regulation; Government School Relationship; Grants; *Higher Education; Institutional Autonomy; Recordkeeping; State Aid; *Student Financial Aid; *Student Loan Programs; Work Study Programs
IDENTIFIERS Basic Educational Opportunity Grants; College Work Study Program; Guaranteed Student Loan; National Direct Student Loan; Pell Grant Program; State Student Incentive Grants; Supplemental Educational Opportunity Grants

ABSTRACT

Information and guidelines for implementing the various amendments to the federal student financial aid programs are provided. The provisions are effective October 1, 1980 through 1985, except for the Guaranteed Student Loan Program amendments, effective January 1, 1980. General provisions are outlined, concerning the new administrative cost allowance, need analysis formula, the authorized "cost of attendance," required student consumer information services, forms, and penalties for noncompliance. Changes and considerations in the Basic Educational Opportunity Grants Program (BEOG) include an immediate name change to the Pell Grant Program, extension of eligibility time, maximum grant changes, and institutional funding threshhold changes. Provisions for the Supplementary Educational Opportunity Grant Program (SEOG) include maximum grant increases, elimination of the matching requirement, reporting and funds transfer requirements, increase in duration of eligibility, and allocations for part-time students. Changes in the College Work-Study Program (CWS) include a federal minimum wage requirement, allocations for part-time students, and changes in allocation for institutional job location and development programs. Changes in the National Direct Student Loan Program (NDSL) generally apply to promissory note and information requirements. Guaranteed Student Loan Program (GSL) changes affect loan maximum levels, interest rate and grace period, and loans to parents. Provisions for the State Student Incentive Grant Program (SSIG) concern state reporting requirements, increase in annual maximum grant, inclusion of graduate and part-time students, and repeal of bonus allotments. (MSE)

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STUDENT ASSISTANCE EDUCATION AMENDMENTS OF 1980

October 1980

U.S. DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
EDUCATION

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HE 013 248

UNITED STATES DEPARTMENT OF EDUCATION
WASHINGTON, D.C. 20202

ASSISTANT SECRETARY
FOR POSTSECONDARY EDUCATION
OFFICE OF STUDENT FINANCIAL ASSISTANCE

October, 1980

Dear Colleague:

On October 3, President Carter signed the Education Amendments of 1980 into law at Northern Virginia Community College in Sterling, Virginia. This new Act amends and extends the Federal student aid programs through 1985 and represents a landmark commitment to providing student financial assistance for students in postsecondary education.

The purpose of this letter and the attached information document is to provide you with information and guidelines on implementing the various amendments to the Federal student aid programs. These provisions are effective October 1, 1980, except for the series of amendments in the Guaranteed Student Loan Program, which have an effective date of January 1, 1981. The new common need analysis system will become effective for awards to be used in the 1982-83 academic year.

Please review the attached information document immediately. Note especially the changes in the National Direct Student Loan Promissory Note, the required minimum wage for College Work-Study employment, and the change in duration of eligibility for the Basic Educational Opportunity Grant and Supplemental Education Opportunity Grant programs.

During the next few months, we will issue several Notices of Proposed Rulemaking which will reflect changes made by the Education Amendments of 1980. Information about these issuances will be contained in the November and December issues of The Bulletin.

We continue to be interested in receiving your comments concerning implementation of these Amendments. In addition to the formal hearings process the Notice of Proposed Rulemaking provides, we would appreciate your forwarding immediately to us any comments you may have.

We have already met with the higher education community, Congressional staff, and others concerning regulation development and related issues arising from implementation of this important new law. These meetings will continue until final regulations are issued.

We have not included in this special information document any of the new statutory provisions concerning the 1981-82 campus-based funding process, because these changes will be published in a future regulation. We intend to limit changes in the funding process to those required by law.

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We hope the attached information document will be useful to you, and we look forward to working closely with you to ensure the most efficient implementation of the Education Amendments of 1980.

Sincerely,

Thomas A. Butts
Deputy Assistant Secretary
for Student Financial Assistance

Student Assistance Education Amendments of 1980

General Provisions

New Administrative Cost Allowance

o The consumer information priority for expenditure of the administrative cost allowance was deleted. The new law provides that the administrative cost allowance is to be used for "offsetting the administrative costs" of the student aid programs.

o Institutions participating in the campus-based (NDSL, CW-S, SEOG) programs should be aware of the new provisions pertaining to the administrative cost allowance so that they may draw down the new amounts. Sums used by the institution are for the sole purpose of off-setting the administrative costs of these programs. The new administrative cost allowance for the campus-based programs is based on the total expenditures for all three programs. Specifically, it is calculated for each award year by taking 5 percent of the institution's first $2,750,000 of expenditures plus 4 percent of the institution's expenditures greater than $2,750,000 and less than $5,500,000 plus 3 percent of the institution's expenditures in excess of $5,500,000. For the entire 1980-81 award year (commencing July 1, 1980) institutions are entitled to the new administrative cost allowance limits described above. However, institutions are not required to recompute their campus-based administrative cost allowance for the period July 1 - September 30 if they choose not to do so.

o The administrative cost allowance of $10 per year for each student who receives a Pell (Basic) Grant at the institution in that award year was changed from an appropriation to a reserve from the program's appropriation.

Instructions for drawing down these funds in the 1980-81 award period will be sent to you in the near future. Pending receipt of further instructions, you may withdraw $10.00 for each recipient of a 1980-81 Pell (Basic) Grant shown on your October 1980 Progress Report.

o Effective January 1, 1981, each school participating in the GSLP becomes eligible to receive, from funds appropriated for the GSLP, a payment of $10 per academic year for each student enrolled in that school who is in receipt of a guaranteed loan for that year, or whose parent borrows for that student. The payment is to be used solely for the purpose of offsetting the GSLP administrative cost to the school.

Schools are advised to refer to Section 177.606 of the GSLP regulations published September 17, 1979, for guidance on how to count GSL recipients. Note that no borrower may be counted more than once; it must be an unduplicated count of borrowers who have received GSLs during the award year (July 1 - June 30). The method of payment is under development and institutions will receive further instructions shortly.

Need Analysis

o In place of the Family Contribution Schedules - which were used almost exclusively for a determination of Basic Grant eligibility -- the reauthorization language calls for a common need analysis to be used by not only the Pell (Basic) Grant Program but also for the campus-based programs. This common need analysis first becomes effective for awards to cover periods of enrollment in the 1982-83 award year. The common need analysis is to be developed in consultation with representatives of agencies and organizations involved in student financial assistance, and is to be submitted annually for Congressional review.

o The new need analysis formula includes the following provisions:

  o A maximum parental discretionary income assessment rate of 14 percent was set for families with an adjusted gross income up to $25,000. Other rate(s) may be set for families with an adjusted gross income which exceeds $25,000.

  o All equity in a single principal place of residence was excluded from assessable assets.

  o A minimum asset reserve of $10,000 was set.

  o An additional farm or business asset reserve of at least $50,000 was set.

  o The asset reserve and asset assessment rate for the independent student with dependents must be the same as that for the dependent student's family.

  o The method of computing the family size offset for the single independent student must be the same as that for the independent student with dependents and the dependent student.

  o The discretionary income assessment rate for the independent student with dependents must be the same as that for the dependent student's family.

o The criteria for determining "independent student" status are to be established by the Secretary and published as regulations. However, the statute itself provides that a married student is considered to be independent if he or she certifies that in the year of application, he or she will not:

(1) live with the parents for more than six weeks,

(2) be claimed by parents as a dependent on any Federal tax return, or

(3) receive more than $750 in support from parents.

o Beginning in 1982, the deadline for publication of the proposed Family Contribution Schedules (those that will be used in 1983-84) is changed from July 1 to April 1.

o For the 1980-81 and 1981-82 award years, institutions participating in the three campus-based programs are to use the need analysis systems approved by the Secretary. The final regulation for the 1981-82 Pell (Basic) Grant Family Contribution Schedules will be published within several months.

Cost of Attendance

The reauthorization bill provides for a single "cost of attendance" to be used for all Title IV financial aid programs.

o The tuition and fee component will be the amount normally charged a full-time student at the institution.

o A standard allowance will be provided for books, supplies, transportation, and miscellaneous personal expenses.

o There will be three room and board allowances.

-- In 1981-82, a standard allowance of at least $1,100 will be allowed for a student without dependents living with one or both parents.

-- For a student without dependents living in institutionally owned or operated housing, the institution will determine a standard allowance based on the amount normally charged most of its resident students for room and board.

-- For a student with dependents, the institution will determine an allowance based on reasonable room and board expenses for the student and his or her dependents.

- Reasonable costs associated with a formal program of study abroad, which is part of an academic program at the institution, will be included.

- An allowance for child care expenses for students with dependent children will be included.

- For handicapped students, an allowance for those expenses related to the handicap which are not provided by other assisting agencies including special services, transportation, equipment, and supplies that are reasonably incurred, will be included.

- For a student taking a program of study by correspondence the "cost of attendance" will be limited to tuition and fees, and, if required, books and supplies, and travel and room and board costs incurred specifically in fulfilling a period of residential training.

For the three campus-based programs institutions may adjust the financial need determination on a case-by-case basis as they have in the past if the basis for the adjustment is documented.

For purposes of the Guaranteed Student Loan Program and the three campus-based programs, the effective date for using the new "cost of attendance" definition is October 1, 1980. However, for the remainder of the current award year, institutions are not required to recalculate their student budgets.

For purposes of the Pell (Basic) Grant Program, the effective date for the new "cost of attendance" definition is July 1, 1981.

Statement of Educational Purpose

The previous statutory requirement of an affidavit of educational purpose has been replaced by a requirement that the student file with his or her institution "a statement of educational purpose (which need not be notarized) stating that the /Title IV/ money attributable to such grant, loan, or loan guarantee will be used solely for expenses related to attendance or continued attandance at such institution."

It should be noted that the Title IV regulations revisions published on June 24, 1980, included a revision to the regulations allowing the use of a non-notarized statement signed "under penalty of perjury" in place of the notarized affidavit. Institutions should continue to use this phrase in their statement of educational purpose.

Student Consumer Information Services

o Student Consumer Information must be produced and made readily available by the institution to all current students and to any prospective students upon request. The provision of Student Consumer Information materials is no longer tied to the institution's expenditure of an administrative cost allowance.

o The Student Consumer Information requirements remain basically the same. The new law dropped one requirement of retention data for courses of study and added the following two:

  o Information must be provided regarding physical access for handicapped students and any special programs for handicapped students.

  o Information must be provided regarding the various types and kinds of accreditation or licenses under which the institution operates; upon request, a student may review all accreditation, State approval or licensure documents and reports.

We realize that printing costs are singularly heavy and suggest that the additional requirements in the amended Student Consumer Information section be met through an addendum to 1980-81 student information program materials.

Forms

o A common Federal financial aid application to determine eligibility for the campus-based and Pell (Basic) Grant Programs must be developed in cooperation with representatives of agencies and organizations involved in student financial assistance. This form will be effective for the 1982-83 award year.

o No fee may be charged for processing the federally required data elements on the Federal financial aid application. Further information as to how this form is to be implemented will be supplied at a later date.

Other Student Assistance General Provisions

The new law adds the following provisions that will be contained in a forthcoming NPRM:

o A civil penalty of up to $25,000 may be levied against an institution for each violation of the statute, or the program regulations, or for substantial misrepresentation of the nature of its educational program, its financial changes, and the employability of its graduates.

o A civil penalty is effective after the opportunity for a hearing on the record.

o The Secretary has the authority to compromise the civil penalty amounts through negotiation with the institution in question.

o The criminal penalties which formerly applied only to the Guaranteed Student Loan Program are extended to encompass all the Title IV student aid programs. The penalties provide for a fine of $10,000 or imprisonment for not more than 5 years, or both if a person embezzles, steals or obtains funds by false statement or forgery.

Pell (Basic) Grant Program

o The Basic Grant Program was renamed the Pell Grant Program. The Department of Education plans to implement the change in the name of the program from Basic Grants to Pell Grants as soon as possible. In making the transition, however, we want to make every effort to avoid confusion among the more than five million students who apply for these grants every year, and also to avoid imposing additional costs on postsecondary educational institutions, need analysis services, and other agencies by requiring the reprinting of applications and informational materials. The need analysis services participating in Multiple Data Entry and many postsecondary educational institutions have already printed their materials for the 1981-82 academic year in order to meet deadlines for institutional admissions calendars.

Since many agency and institutional forms and materials for 1981-82 have already been printed using the term "Basic Grants," we will continue to use that term for 1981-82 on the Federal materials sent to students. This will avoid the confusion of having the program referred to by two difrerent names in the same year. During 1981-82 we will publish a series of announcements about the name change. These announcements will be directed to current and potential applicants, to members of the financial aid community, and to the general public. The training programs beginning in November 1980 which are directed toward the 1981-82 award year will emphasize the new name. Beginning with the 1982-83 award year, all materials concerning the program must refer to "Pell Grants."

o Duration of student eligibility was changed from four years (in some cases, five years) to the period of time required to complete the first undergraduate course of study being pursued by the student. As under the previous legislation a student who has already received a bachelor's degree is not eligible for a grant.

Institutions are encouraged to notify any students who have not yet received their first bachelor's, but have already received the maximum Pell (Basic) Grant assistance under the former statutory limitations, that they may now be eligible for additional assistance.

o The maximum grant dollar and the maximum cost of attendance percentage were changed to:

award year	maximum grant	cost of attendance
1981-82	$1,900	50 percent
1982-83	$2,100	60 percent
1983-84	$2,300	65 percent
1984-85	$2,500	65 percent
1985-86	$2,600	70 percent

Note: In any year in which the maximum grant is between $1900 and $2100, the Pell (Basic) Grant shall be 55 percent of the cost of attendance.

o The percentage of reduction in the schedule used at less than full funding is applied to the student's eligibility index, rather than the amount of entitlement.

o Required campus-based funding thresholds were revised and a threshold established for the State Student Incentive Grant Program.

SEOG Program

The following SEOG provisions are effective immediately:

o The purpose of the SEOG Program is to provide grants to students who demonstrate financial need in accordance with section 482 (need analysis). NOTE: "Exceptional" financial need has been eliminated and therefore is no longer a requirement.

o The maximum SEOG has been increased from $1,500 to $2,000 per academic year.

o The "matching requirement" (i.e., the limitation which restricts the amount of a grant to one-half of the sum of the total amount of student financial aid made available to the student through the institution) has been eliminated.

o Although institutions will continue to request and receive initial year (IY) allocations and continuing year (CY) allocations, institutions may make transfers from their IY allocation to CY for making CY awards and transfers from their CY allocation to IY for making IY awards in a manner that the institutions determine will best meet its students needs. NOTE: Institutions will continue to be required to report IY expenditures and CY expenditures separately on their Fiscal Operations Report as of June 30, 1981.

o The duration of student eligibility has been changed from a maximum of 4 academic years (or five academic years for students pursuing a 5 year program or due to special circumstances) to the period required for the completion of the first undergraduate bachelor's degree.

o The aggregate maximum per student (i.e., limitation that restricts the amount a student may receive for 4 academic years of study to $4,000 or $5,000 for 5 academic years) has been eliminated.

o Institutions may use 10 percent of their allocation for less than half-time students who meet all other eligibility requirements listed in section 176.9 of the SEOG regulations.

College Work-Study Program

The following CW-S provision must be implemented immediately:

o New CW-S minimum wage: The law requires that as of October 1, 1980, all CW-S students must be paid at least the current Federal minimum wage ($3.10 an hour through December 31, 1980 and $3.35 an hour after December 31, 1980). If an institution is currently paying its CW-S students a subminimum wage it must, within a reasonable period of time, adjust each student's wage rate and pay the student the difference between the minimum and subminimum rate for the period between October 1, 1980, and the date the pay rate was adjusted.

The following CW-S provisions are effective immediately:

o The new purpose of the CW-S Program is to stimulate and promote the part-time employment of students who are in need of earnings from employment to pursue courses of study at eligible institutions. NOTE: The emphasis of "great" financial need is no longer part of the purpose of the CW-S Program.

o "Carry forward": Eligible institutions are permitted to expend in the next year an amount of up to 10 percent of their current year CW-S allocation.

o "Carry Back": Eligible institutions also are permitted to expend in the current award year an amount determined by the Secretary not to exceed 10 percent of the amount they may receive from their next year's allocation. This means that beginning with this award year, institutions are authorized to use during 1980-81 an amount not to exceed 10 percent of their total CW-S 1981-82 Federal allocations. We expect to release the final 1981-82 CW-S allocations next Spring, at which time institutions may do the following: (1) withdraw up to 10 percent of their 1981-82 funds from their DFAFS accounts; (2) add those funds to their 1980-81 allocations; and (3) expend those funds during the current award period which ends June 30, 1981. If institutions use in 1980-81 any of their 1981-82 funds, their 1981-82 remaining funds available will be reduced by the amount they used in 1980-81. Institutions may use this provision to alleviate budget constraints due to the new CW-S minimum wage provisions mentioned earlier.

The purpose of these two provisions is to assist institutions in budgeting their CW-S expenditures and to protect them from incurring a deficit at the close of the award year.

o Institutions may use 10 percent of their CW-S funds for less than half-time students who meet all other eligibility requirements that are in section 175.9 of the CW-S regulations.

o To the maximum extent practicable, institutions shall provide employment that complements and reinforces the educational program or vocational goal of students receiving college work-study funds.

o The amount of an institution's CW-S allocation that may be used for establishing or expanding its Job Location and Development Program has been increased from $15,000 to $25,000. The 10 percent maximum was not changed.

<u>The following CW-S provision requires an NPRM</u>:

o Institutions may use up to 10 percent of their CW-S allocation for expenses associated with establishing and operating a community service learning program. The student's work would provide community service for or on behalf of low-income individuals or families and provide the student with work-learning opportunities related to their educational or vocational goals. The legislative history indicates that institutions should have maximum flexibility in implementing this program. To ensure institutions this flexibility, we are requesting extensive comments in order to develop regulations governing this program.

National Direct Student Loan Program

The following changes must be implemented immediately:

o New NDSL promissory note requirements: All NDSL promissory notes must be changed to include the following new provisions that are effective immediately for any loans made on or after October 1, 1980:

(1) The interest rate is increased from 3 percent to 4 percent;

(2) The grace period is decreased from 9 months to 6 months;

(3) A new 6-month grace period is provided after statutory deferment periods;

(4) There are four new types of deferments: (1) Volunteer service in a private non-profit, VISTA or Peace Corps type organization; (2) Service as an officer in the U.S. Public Health Service Commissioned Corps; (3) Temporary total disability; and, (4) Service in an internship preceeding a professional practice.

(5) The institution may now extend the repayment period up to 10 additional years for low-income individuals. (NOTE: As indicated below the term "low-income" must be defined in regulations).

(6) The definition of handicapped children for purposes of teacher cancellation has been changed.

These new provisions are more fully described below. An Addendum to the model promissory note set forth in Appendix B of the NDSL August 13, 1979, regulations is enclosed as Attachment I. Institutions must use this Addendum for all loans made on or after October 1, 1980, during the 1980-81 award year. Institutions are to use this Addendum and change the interest rate, grace period, and teacher cancellation provisions on their current note forms. The borrower must initial those changes, and sign and date both the original promissory note form and the Addendum. We plan to provide institutions with a revised model promissory note that will incorporate all of these new provisions.

New NDSL Procedures: Under the new law, all loans made on or after October 1, 1980, are subject to all of the new NDSL provisions. Any notes signed on or after October 1, 1980, must contain the changes mentioned above and the Addendum. It is clear that on October 1, many institutions were in various stages of processing loans under the earlier NDSL terms and conditions. To assist these institutions in making a transition from the old to new terms of the note, we are providing the following guidance:

1. If a student signed a promissory note for the 1980-81 award year before October 1, 1980, the institution may continue to advance funds to the borrower for the 1980-81 award year under the terms of that note.

2. If a student signed an open-ended promissory note and signed for an advance of funds between July 1, 1980, and September 30, 1980, that advance is considered made under that note. The institution has two options with regard to subsequent advances. It may close the note as of September 30, 1980, and issue a new note, or it may continue to make advances under the existing note for the remainder of the 1980-81 award year. This option must be exercised uniformly for all students unless a student requests a new promissory note containing the new NDSL provisions.

3. If a student had an open-ended promissory note but did not sign for any advances between July 1, 1980, and September 30, 1980, the institution must close the note as of September 30, 1980. Any advances made on or after October 1, 1980, to that student must be made under a new note. NOTE: Notes signed prior to October 1, 1980, may not carry the new provisions specified in the following section.

<u>The following NDSL provisions only apply to loans made on or after October 1, 1980 and are effective immediately</u>:

o Aggregate loan limits are increased from $10,000 to $12,000 for a graduate student, from $5,000 to $6,000 for a student who has completed two academic years of study towards a bachelor's degree and from $2,500 to $3,000 for a student who has not completed two academic years of study toward a bachelor's degree.

o Borrowers are entitled to a grace period after ceasing to be at least a half-time student before the repayment period begins. The length of the grace period has been changed from 9-months to 6-months.

o Borrowers are also entitled to a 6-month grace period after the completion of a deferment period for study, service, or disability. Deferment and grace periods are not included in the 10-year maximum repayment period.

o The special independent student status for veterans has been deleted; therefore, veterans must comply with the same requirements that other students must meet to be considered independent. (If a re-evaluation of a veteran's need becomes necessary after October 1, and if a reduction of need results because of a change in the veteran's dependency status, the institution is not required to reduce the NDSL in order to avoid an overaward. In these cases, an overaward is not considered to have been made and, therefore, no monetary liability will be assessed against the institution during this award year ending June 30, 1981).

o At the time a loan is made, institutions are now required to provide the borrower with the following information:

1. maximum loan amounts that may be borrowed;

2. repayment terms;

3. maximum number of years in which the loan must be repaid;

4. the interest rate and the minimum monthly payment;

5. other entitlements the borrower may have for deferral, cancellation, repayment, consolidation or other refinancing of the loan;

6. a definition of default and consequences to the borrower if he or she defaults; and

7. the effects of accepting the loan on the eligibility of the borrower for other terms of student assistance.

The following NDSL provisions also are effective immediately:

o The new law changed the definition of handicapped children used for determining teacher eligibility for loan cancellation to the definition of handicapped children contained in Section 602 (1) of the Education of All Handicapped Children Act, PL 94-142, which is as follows:

> "Handicapped children" means mentally retarded, hard of hearing, deaf, speech impaired, visually handicapped, seriously emotionally disturbed, orthopedically impaired, or other health impaired children or children with specific learning disabilities who by reason thereof require special education and related services.

The new definition includes children with specific learning disabilities. This change in definition is effective for the 1980-81 academic year and is applicable to both new and old loans. Therefore, any NDSL borrower teaching children with specific learning disabilities during the 1980-81 award year is entitled to cancellation for teaching handicapped children. However, the teaching of children with specific learning disabilities performed prior to the 1980-81 academic year does not qualify for cancellation. At the exit interview, institutions should advise students with 3 percent loans of this change in the definition of handicapped children. Further, institutions are reminded that under section 174.42(f) of the NDSL regulations they are required to keep all borrowers informed of all changes in the program that affect the borrowers' rights or responsibilities.

o Cancellation of a direct student loan, including the interest, shall not be considered as income for purposes of Federal income tax.

o The law now requires that the Secretary enter into cooperative agreements with credit bureau organizations to provide for the exchange of information concerning student borrowers whose loans have been referred to the Secretary for collection.

The following NDSL provisions require an NPRM:

o The repayment period for any student borrower who during the repayment period is a low-income individual may be extended for a period not to exceed ten years, and the repayment schedule may be adjusted to reflect the income of that individual.

o The following new deferment provisions apply to loans made on or after October 1, 1980.

1. Borrowers are entitled to a deferment not to exceed three years --

   for service comparable to Peace Corps or VISTA as a full-time volunteer for an organization which is exempt from taxation under Section 501(c)(3) of the IRS Code.

   if they are temporarily totally disabled or the borrower is unable to secure employment because of the care of a spouse who is so disabled.

   for service as an officer in the Commissioned Corps of the U.S. Public Health Service.

2. Borrowers are entitled to a deferment not to exceed two years for serving in an internship required to begin professional practice or service.

NDSL Borrowing Authority

The Amendments to the NDSL Program provide for the authorizations of new Federal capital under the existing appropriations language or provision of Federal capital through an alternative borrowing authority. This alternative method provides that, subject to limits imposed by the appropriations committees, the Secretary shall borrow loan fund capital through the Department of the Treasury or the Federal Financing Bank. There will be major changes in the operation of the NDSL Program when loan fund capital is made available to institutions through the borrowing authority.

Some of these changes include: 1) loans will no longer require the matching institutional capital contribution of 10 percent; 2) institutions will have the option either to assign notes for collection to the Secretary or provide loan servicing under an agreement with the Department of Education; 3) there will be a new system for allocating loan fund capital each year which eliminates the old State allotment formula; and 4) allocations to institutions will not result in any institution receiving less than it used for making loans in the 1979-80 award year.

Eligible institutions that do not now participate in the NDSL Program but which might participate under the new loan provisions established by the borrowing authority for Federal capital are advised to complete the NDSL portion of the new Application to Participate in Federal Student Financial Aid Programs which is due on November 17, 1980.

Guaranteed Student Loan Program

o Loan Maximums

The law as amended eliminates the broad category of undergraduate student borrower and establishes in its place two separate categories. These are the dependent undergraduate student and the independent undergraduate student. The independent undergraduate student is eligible for higher annual and aggregate loan amounts than the dependent undergraduate student. The law also raises the aggregate loan limits for each category of student borrower. The loan limits are as follows:

o Category of Borrower	Annual Loan Limits	Aggregate Loan Limits
Dependent Undergraduate	$2,500	$12,500
Independent Undergraduate	$3,000	$15,000
Graduate or Professional	$5,000	$25,000

The aggregate amount for graduate or professional students includes loans obtained at the undergraduate level.

Effective Date of the New Loan Limit Provisions

The provisions authorizing higher loan amounts are effective for loans disbursed on or after January I, 1981. If a student loan application is processed prior to January 1, but the loan is not disbursed until January 1 or later, the new loan limits apply. Furthermore, the amount of the loan may be applied to cover costs incurred by the student for the period of enrollment which may begin prior to January 1.

Application Processing Guidelines

This section provides guidance to schools on how to treat applications received from undergraduate independent students who are applying for annual loan amounts in excess of $2,500, or an aggregate amount greater than $12,500.

Note that a student who is determined to be independent and who has already borrowed $2,500 for this academic year may apply for a supplemental loan, provided the student's application shows remaining eligibility. The supplemental loan when combined with the student's first loan may not exceed $3,000, the annual maximum authorized for an independent undergraduate student.

Until regulations are issued for the GSLP defining the terms "dependent" and "independent" student, schools should use the Pell (Basic) Grant definitions and apply them to the GSLP. Note, however, that for purposes of the GSLP a borrower may be dependent on a legal guardian, not just the natural or adoptive parents; therefore, when a student is answering the six questions which appear on the Pell (Basic) Grant application for the purpose of determining whether a student is dependent or independent, a legal guardian relationship must be taken into account.

The six questions are as follows:

1. Did or will the student live with the parents for more than six weeks?

   in 1979 Yes ___ No ___ in 1980 Yes ___ No ___

2. Did or will the parents claim the student as an income tax exemption?

   in 1979 Yes ___ No ___ in 1980 Yes ___ No ___

3. Did or will the student receive more than $750 worth of support from the parents?

A "no" answer to all the above questions means the student is independent. It is important to keep in mind that currently a student's status is a matter of concern to schools only if an undergraduate student is applying for an annual loan amount in excess of $2,500. When the Parent Loan Program is implemented, further instructions on these determinations will be provided.

In the majority of cases the school will have no need to seek out the student's statement on dependent or independent status because the information will be available from the aid applications that the student already submitted. If the information is not available, then obviously the school will have to obtain it. Schools should print these six questions and the certification on a separate form to be used exclusively for the GSLP. In addition, if the student's record indicates independent status, the school will have to ask the student to reestablish this status because as noted above a student can qualify as an independent student under the Pell (Basic) Grant or campus-based programs but be dependent for purposes of the GSLP because of a possible dependency relationship on a legal guardian.

If the student is independent, the school must certify this fact on the application by entering the word "INDEPENDENT" in bold face in a conspicuous place within the school section of the application.

Interest Rate and Grace Period Changes (GSLP Sec. 427A(a))

The interest rate has been raised from 7 percent to 9 percent for any new student borrower who obtains a loan under the GSLP for a period of instruction beginning on or after January 1, 1981. A "new" borrower is a student who does not have an outstanding GSL on the date the promissory note is signed. Students whose loans carry a 9 percent interest rate will be subject to a fixed 6-month grace period, reduced from the 9 - 12 months.

The interest rate will remain at 7 percent on loans made to student borrowers with outstanding GSLs. If a borrower does not have any GSL indebtedness on the date the promissory note is signed but the loan is made for a period of instruction beginning prior to January 1, 1981, the interest rate will still be at 7 percent. New loans borrowed at the 7 percent interest rate continue to carry the 9 - 12 month grace period.

Loans to Parents

A program of loans to parents for dependent undergraduate students is established by section 428B of the new law. The maximum amount a parent may borrow for any one student in any academic year is $3,000. The aggregate loan limit for each dependent student is $15,000. Repayment is required to begin within 60 days after disbursement, and there is no in-school Federal interest subsidy on these loans. Lenders will receive the special allowance on the same basis as for student loans. The interest rate will be 9 percent. The effective date on the loans to parents program is January 1, 1981; however, there will be some States where the loans to parents program will not be implemented until well after January 1 because of the need for guarantee agencies to change State laws.

Additional Changes

There are additional GSLP legislative changes that we will explain later.

State Student Incentive Grant Program

o States are no longer required to distinguish between initial and continuation awards.

o The annual maximum is increased from $1,500 to $2,000 (still dollar for dollar matching).

o Graduates as well as undergraduates will be allowed to participate in the SSIG Program, at the option of the State agency.

o SSIG awards may be made to less than half-time students at the option of the State agency.

o Section 415E is repealed; bonus allotments are no longer authorized.

Attachment 1

Addendum to NDSL Promissory Note

I understand and agree that in addition to the changes made directly on the original note which I have initialed concerning the changes in the interest rate from 3% to 4%, the change in the grace period from 9 months to 6 months, and the change in the definition of handicapped children, any funds advanced to me under this note are subject to the following additional provisions:

(1) Notwithstanding paragraph II(2), if I qualify as a low-income individual during the repayment period, the lending institution may, at my request, extend the repayment period for up to an additional 10 years or adjust any repayment schedule to reflect my income, or both.

(2) Interest will not accrue and installments need not be paid for a period not in excess of 3 years during which time I am -

(A) a full-time volunteer in a tax exempt organization comparable to the Peace Corps or to VISTA,

(B) temporarily totally disabled as established by sworn affidavit of a qualified physician, or unable to secure employment because of providing care required by a spouse who is so disabled, or

(C) an officer on full-time active duty in the Commissioned Corps of the U.S. Public Health Service.

(3) Interest will not accrue and installments need not be paid for a period not in excess of two years during which time I am serving in an internship which is required in order to receive professional recognition required to begin professional practice or service.

(4) Interest will not accrue and no repayment of principal or interest will be required until 6 months after the completion of any deferment period described in paragraphs III(3)(A) and III(3)(B) of the Promissory Note and paragraphs (2) and (3) of this addendum at which time interest will begin to accrue and repayments will be required.

5. The following paragraph supersedes paragraphs III(4)(B) of the Promissory Note:

(B) as a full-time teacher of handicapped children (including mentally retarded, hard of hearing, deaf, speech impaired, visually handicapped, seriously emotionally disturbed, orthopedically impaired, or other health impaired children, or children with specific learning disabilities who by reason thereof require special education and related services) in public or other nonprofit elementary or secondary school system.

This loan will be cancelled at the following rates: 15 percent of the total principal amount of the loan plus interest on the unpaid balance will be cancelled for the first and second complete academic years of that teaching service; 20 percent of the total principal amount plus interest on the unpaid balance for the third and fourth academic years of the teaching service; and 30 percent of the total principal amount plus interest on the unpaid balance for the fifth complete academic year of that teaching service.

Signature _____

Date _____, 19_____

Signature of endorser _____ (if applicable)

Date _____, 19 _____